

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 SAM-01

SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 EURE-00

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O R 261229Z AUG 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 3930

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L LISBON 4903

E.O. 11652: GDS

TAGS: EIND, PO

SUBJ: ITT PROBLEMS IN PORTUGAL

REF: BRUSSELS 7530, LISBON 4867 AND 4848, STATE 200783

1. ITT DECISION TO WITHDRAW FINANCIAL SUPPORT FROM PORTUGUESE AFFILIATES AT THIS TIME COULD DAMAGE THE EFFORTS OF THE ANTUNES GROUP TO OUST THE PRIME MINISTER. ACTION IS MOST UNTIMELY IN THAT IT PROVIDES AMMUNITION FOR PRO-GONCALVES FORCES TO CHARGE THAT ANTUNES IS THE TOOL OF INTERNATIONAL CAPITALISM. LEFT PRESS WILL ALLEGE THAT ITT WITHDRAWAL IS PUR BLACKMAIL AND PART OF WESTERN ECONOMIC BOYCOTT.

2. I AM PARTICULARLY CONCERNED THAT THIS ACTION WAS APPARENTLY TAKEN WITHOUT ANY CONSULTATION WITH US. JUST A FEW DAYS DIFFERENCE IN TIMING OR A SLIGHTLY DIFFERENT APPROACH MIGHT HAVE MADE A GREAT DEAL OF DIFFERENCE IN THE POTENTIAL POLITICAL REACTION.

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3. ITT LETTER SEEMS TO MAKE IT CLEAR THAT THEY INTEND TO

RESUME NORMAL OPERATIONS IN PORTUGAL AS SOON AS BUSINESS AND FINANCIAL CONDITIONS WARRANT IT. I UNDERSTAND THAT GOP AGREEMENT TO THE ITT PROTOCOL PRESENTED MAY 7, ALONG WITH A POLITICAL SITUATION WHICH WOULD INSURE LABOR DISCIPLINE, COULD SERVE AS A BASIS FOR RENEWED NORMAL OPERATIONS. I STRONGLY RECOMMEND THAT THE DEPARTMENT ATTEMPT TO GET AT LEAST A TENTATIVE COMMITMENT FROM ITT TO NORMALIZE OPERATIONS SHOULD THE PROTOCOL BE ACCEPTED AND SHOULD THERE BE SOME INDICATIONS OF ATTEMPTS TO INSTILL LABOR DISCIPLINE. IF ITT GIVES THIS COMMITMENT, I WOULD LIKE TO HAVE SOME FLEXIBILITY IN CONVEYING IT TO KEY PERSONS SHOULD THEIR WITHDRAWAL BECOME AN ISSUE. IN SHORT, I WOULD LIKE TO BE ABLE TO USE THEIR WITHDRAWAL AS AN EXAMPLE OF GONCALVES' INABILITY TO SOLVE ECONOMIC PROBLEMS AND HOLD OUT THE POTENTIAL FOR THEIR RETURN IF MELO ANTUNES GETS IN, ADOPTS SENSIBLE ECONOMIC PROGRAM AND AGREES TO ITT PROTOCOL.

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Margaret P. Grafeld
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06 JUL 2006

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